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Vice President
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November 9, 2006

PUBLIC UTILITIES
COMMISSION

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Consultant

The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
465 South King Street, First Floor
Kekuanaoa Building
Honolulu, Hawaii 96813

Dear Commissioners:

Subject: Docket No. 05-0315 – HELCO 2006 Test Year Rate Case
Response to Consumer Advocate's November 1, 2006 Letter

This letter responds to the Division of Consumer Advocacy's ("Consumer Advocate") November 1, 2006 letter recommending that the Commission suspend the procedural schedule for Hawaii Electric Light Company, Inc.'s ("HELCO" or "Company") 2006 test year rate case in Docket No. 05-0315. HELCO would agree to allow the Consumer Advocate additional discovery, subject to the conditions explained below, on those information request ("IR") responses that were outstanding as of October 18, 2006. However, the Company opposes suspension of the schedule. Rather, the Consumer Advocate should continue to submit any follow-up information requests necessary to its case as the Company completes its outstanding IR responses. The Company has thus far fully cooperated with the Consumer Advocate's discovery, already submitting sixteen volumes of materials. HELCO has a dire need for immediate rate relief and the existing procedural schedule already has evidentiary hearings scheduled a little more than a year after the Company filed its application. In order for the Commission to have sufficient evidence on the record to render an appropriate interim decision by the end of the eleven month period as required by Section 269-16 of the Hawaii Revised Statutes ("HRS"), the procedural schedule should not be suspended. Rather, the Company will work with the Consumer Advocate and attempt to reach consensus on an updated procedural schedule which it will file with the Commission.

HELCO HAS FULLY COOPERATED WITH THE CONSUMER ADVOCATE'S
DISCOVERY OF THIS RATE CASE

The Consumer Advocate's discovery began in May 2006 when it requested responses to CA-IR-1 and -2. In response, the Company submitted over 1,000 pages of documentation. In June, the Consumer Advocate's consultants individually interviewed eleven HELCO rate case witnesses and their support people in person over the course of two weeks.¹ The Company also

¹ Two additional witnesses were out-of-state at that time and were interviewed later via telephone conference.

provided the consultants with a tour of HELCO's facilities in Hilo and Keahole. In late July, the Consumer Advocate submitted its first of six rounds of information requests ("IRs") on the Company's direct testimony. To date, the Consumer Advocate has submitted 510 information requests with subparts.² If subparts are counted, the number of questions has totaled almost 1,800. In response the Company has thus far submitted about sixteen standard two-inch binders worth of materials (single-sided). This is in addition to the ten two-inch binders of direct testimony, exhibits and workpapers that the Company had previously filed. The direct testimony discovery process, now in its seventh month, has been long and extensive and has diverted witnesses and support people from both HELCO and Hawaiian Electric Company, Inc. ("HECO") and the companies' legal counsel away from their normal work functions and required them to work long hours frequently into the night and on weekends and holidays to complete the IR responses.

Recognizing the importance of discovery to the development of the Consumer Advocate's testimony, the Company has done all it could to facilitate the Consumer Advocate's discovery in this proceeding. Many of HELCO's responses to information requests have involved making computations, computing ratios and calculating and reworking data contained in its files and records, even though Section III.A. of Order No. 22903 ("Procedural Order") states that a party is not required to do this. The Company has also not questioned the depth and breadth of the CA's inquiry. And for the Consumer Advocate's convenience, it has reproduced documents requested by the Consumer Advocate's consultants that were already in the possession of the Consumer Advocate from other proceedings. In addition, the Company has agreed to have conference calls with the Consumer Advocate's consultants on various subjects whenever they have requested them.

HELCO WILL AGREE TO ADDITIONAL DISCOVERY ON ITS IR RESPONSES SUBJECT TO CERTAIN CONDITIONS

In its November 1 letter, the Consumer Advocate has pointed out that the Company has not yet responded to a number of information requests in the first four rounds. These information requests are primarily localized in two areas. Of the outstanding IRs as of the date of this letter, all but six are on rate design/electric sales revenues and production operations and maintenance ("O&M"). The Company expects that it will file responses to these six IRs this week and next week. It is targeting to submit responses to the rate design/electric sales revenues and production O&M information requests throughout this month but no later than December 1, 2006.

In its continuing effort to assist the Consumer Advocate, the Company will agree to additional discovery by the Consumer Advocate subject to the conditions stated below. However, HELCO does not want the procedural schedule to be suspended until it responds to all

² In its letter, the CA referred to certain adjustments that the Company will be making. The Company will submit these adjustments in response to CA-IR-447 which the Consumer Advocate submitted in round 5. The amounts of and reasons underlying most of these adjustments have already been expressed in prior responses to information requests.



outstanding information requests, as recommended by the Consumer Advocate. Such suspension is unnecessary and will delay the timely conclusion of this docket. Rather, the Company recommends that the Consumer Advocate issue information requests on a continuing basis beginning immediately on those responses that were outstanding as of October 18, 2006 (the date of the Consumer Advocate's round five submission) until one week after the Company submits its last response to the information requests received up to November 1, 2006. The Company will respond to these information requests on a continuing basis and target the completion of all IR responses by the end of December 2006. Exhibit I provides a revised procedural schedule which the Company is proposing to the Consumer Advocate. The revisions are in bold. The above arrangement is fair, considering the volume of information already provided by the Company and the eight months of discovery that will result. It also enables the Company's direct and rebuttal testimonies and the Consumer Advocate's direct testimony and the participants' position statements to be filed by the time the Company files its statement of probable entitlement on March 9, 2007, thereby providing the Commission with sufficient evidence on the record to determine an interim decision as required by HRS 269-16.

A PARALLEL SCHEDULE TO ADDRESS THE ECAC ISSUES OF ACT 162 SHOULD BE ALLOWED

The Consumer Advocate's November 1 letter states that "rather than address [the energy cost adjustment clause ('ECAC') issues of Act 162] in a separate procedural schedule, the Consumer Advocate contends that it would be more efficient to address the matters in conjunction with the pending rate application." The letter states that "the Company was well aware of the need to address Act 162 matters in June of 2006, and acknowledged in the Stipulation reached in Docket No. 04-0113 (filed on June 30, 2006 and amended on August 8, 2006) that the matter would be addressed in the instant proceeding." The Company recognizes the importance of the Act 162 review, and fully intends to cooperate in this review and devote the needed attention and resources to address the Act 162 ECAC issues. The Company's procedural suggestions were meant solely to expedite the review and in no way to delay or disrupt this important process.

Exhibit II provides the schedule for addressing the Act 162 issues that the Company had discussed with the Consumer Advocate on a conceptual level, although it had not yet provided the schedule itself to the Consumer Advocate. The idea was to address the Act 162 issues on a parallel basis so as enable the attention necessary for this area but not to disrupt the procedural schedule already approved in Order No. 22903. The Company could not incorporate procedural steps to address Act 162 into the existing procedural schedule for the following reasons:

- The Company had already filed its application, direct testimonies, exhibits and workpapers on May 5, 2006, before Act 162 was enacted into law and before the June 30, 2006 stipulation in Docket No. 04-0113.
- Neither HECO nor HELCO had staff or a currently contracted consultant with the expertise to fully address the issues of Act 162, particularly those involving hedging and the sharing of risk in the context of an energy cost adjustment clause. These issues are complex and specialized and the Company required some time to identify prospective



expert consultants, as the pool of qualified consultants was limited and not readily identifiable. The Company issued a request for qualifications in July 2006. Once the Company developed a list of prospective consultants, it interviewed each of them and then issued a request for proposal. The Company selected a consultant in October.

- Testimony to address Act 162 cannot be developed overnight given the complexity of the issues. As an example of the amount of time needed to complete testimony, preparation of HELCO's direct testimony began in October 2005 for a May 2006 filing. Now that it has selected its consultant, the Company is expediting the development of its position on Act 162. As indicated in Exhibit II, it is targeting filing a report on Act 162 by its consultant on December 29, 2006. The purpose of filing the report at that time is to get information on this matter to the Commission and the Consumer Advocate as soon as possible, even before the Company has the opportunity to fold the findings and results of this report into testimony. This would be followed by the simultaneous filing of supplemental testimony on Act 162 and the time-based metering issues of the Energy Policy Act of 2005 by HELCO and the Consumer Advocate one month later.

The simultaneous filing of testimony and position statements by parties has been done in other proceedings before this Commission (e.g., Docket Nos. 03-0371, 03-0372, 05-0069, 2006-0084). The parallel schedule also allows the Consumer Advocate to file reply testimony on the Act 162 issues. The filing of reply testimony for the Consumer Advocate has not been provided for in the procedural schedule for this proceeding or other rate case proceedings.

The Company's proposed parallel scheduling concept to address the Act 162 issues is efficient in that it will enable this proceeding to be concluded without undue delay and still allow the Consumer Advocate ample opportunity to present its position on these issues. As shown in its financial reports filed with the Commission, HELCO's financial results are well below the rate of return authorized by this Commission in the Company's last rate case. The Company needs immediate rate relief and thus needs for this proceeding to proceed without interruption.

The Company will attempt to reach agreement with the Consumer Advocate on a revised procedural schedule for this proceeding. If the parties are unable to reach agreement, they will file separate proposed procedural schedules for Commission decision.

Sincerely,



cc: Division of Consumer Advocacy
Keahole Defense Coalition
Rocky Mountain Institute



DOCKET NO. 05-0315
PROPOSED REVISED PROCEDURAL SCHEDULE

HELCO Application, Direct Testimonies, Exhibits and Workpapers	May 5, 2006
Public Hearings	June 26-27, 2006
CA Information Requests ("IRs") to HELCO ³	July 25, 2006 August 25, 2006 September 8, 2006 September 25, 2006 October 18, 2006 November 1, 2006
HELCO Responses to CA IRs ³	August 15, 2006 September 15, 2006 September 29, 2006 October 16, 2006 November 8, 2006 December 1, 2006
HELCO Remaining Responses to CA-IRs through Round 6	Continuous Up to December 1, 2006
Consumer Advocate Supplemental IRs on HELCO Responses to Round 1-6 Information Requests Not Yet Filed as of October 18, 2006	Continuous Up to December 8, 2006
HELCO Responses to Consumer Advocate SIRs⁴	Continuous up to December 29, 2006
CA Testimonies, Exhibits and Workpapers Participants' Statement of Position	January 26, 2007
HELCO IRs to CA, KDC and RMI³ CA IRs to KDC and RMI³	January 29-February 5, 2007
CA/KDC/RMI responses to HELCO IRs^{3,4} KDC/RMI responses to CA IRs^{3,4}	February 20-26, 2007
Settlement Proposal Submitted to CA	March 2, 2007
First Settlement Discussion between HELCO and CA	March 6-7, 2007
HELCO Rebuttal Testimonies, Exhibits, and	March 12, 2007

³ Whenever possible, Parties/Participants will provide a copy of documents electronically upon request.

⁴ Responses due three weeks after submission of IRs

Workpapers

HELCO Statement of Probable Entitlement

Consumer Advocate Response to HELCO Statement of Probable Entitlement

March 19, 2007

CA Rebuttal IRs ("RIRs") to HELCO³

March 15-23, 2007

HELCO's Responses to CA RIRs³

April 3-9, 2007

Second Settlement Discussion between HELCO and CA

April 17-19, 2007

Settlement Letter to PUC

April 23, 2007

Prehearing Conference

May 4, 2007

Evidentiary Hearing

Week of May 7, 2007

Simultaneous Opening Briefs by Parties

4 weeks after Transcripts

Simultaneous Reply Briefs by Parties

3 weeks after Opening Briefs

DOCKET NO. 05-0315
SCHEDULE FOR ACT 162 AND TIME-BASED METERING ISSUES

HELCO filing of consultant report	December 29, 2006
Simultaneous filing of HELCO/CA supplemental testimony and RMI position statement on Act 162 and time-based metering issues	January 26, 2007
HELCO/CA simultaneous submission of information requests on supplemental testimony and HELCO/Consumer Advocate submission of information requests on RMI position statement	February 14, 2007
HELCO/CA/RMI filing of responses to information requests on supplemental testimony or position statement	February 28, 2007
HELCO/CA filing of reply testimony	March 15, 2007
HELCO/CA submission of information requests on reply testimony	March 29, 2007
HELCO/CA filing of responses to information requests on reply testimony	April 12, 2007